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TO THE  
HOUSE COMMITTEE ON FINANCE

THE TWENTY-EIGHTH STATE LEGISLATURE  
REGULAR SESSION OF 2015

Wednesday, April 8, 2015  
2:00 p.m.

TESTIMONY ON S.B. NO. 1262, S.D. 1, H.D. 1

RELATING TO THE SECURE AND FAIR ENFORCEMENT  
FOR MORTGAGE LICENSING ACT

THE HONORABLE SYLVIA LUKE, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda, Commissioner of Financial Institutions ("Commissioner"),  
testifying on behalf of the Department of Commerce and Consumer Affairs  
("Department") on Senate Bill No. 1262, S.D. 1, H.D. 1. The Department offers this  
testimony in support of S.B. 1262, S.D. 1, H.D. 1.

S.B. 1262, S.D. 1, H.D. 1 would allow the Commissioner to make a finding to  
adjust the assessed Mortgage Loan Recovery Fund ("MLRF") fee for license renewals,  
once the MLRF attains a funding level of \$750,000, without requiring the finding to be

made pursuant to an administrative rule. The Commissioner oversees the MLRF pursuant to Section 454F-41, HRS.

The MLRF balance currently exceeds the \$750,000 threshold. However, the Commissioner is unable to make the finding to adjust the MLRF fee, because the rule required to do so is still in the administrative rulemaking process of Chapter 91, HRS.

It is possible that amending the law to delete the rule requirement, as S.B. 1262, S.D. 1, H.D. 1 proposes, will enable the Commissioner to adjust the MLRF fee more quickly than through the administrative rulemaking process. The amendment will not impact the Commissioner's ability to adopt rules for the MLRF, as Section 454F-18, HRS, gives the Commissioner general rulemaking authority for the administration of the SAFE Act, Chapter 454F, HRS.

The draft MLRF administrative rules set out factors for the Commissioner to consider in making a finding to adjust or suspend the MLRF fee for license renewals. These factors would still be used by the Commissioner to evaluate the propriety of an adjustment to the MLRF fee, even if the rulemaking requirement is no longer in place.

The Department supports S.B. 1262, S.D. 1, H.D. 1 and asks that it be passed out of committee without amendments.

Thank you for the opportunity to testify. I would be pleased to respond to any questions you may have.



**LATE**

April 8, 2015

TO: COMMITTEE ON FINANCE  
Representative Sylvia Luke, Chair  
Representative Scott Nishimoto, Vice Chair

FR: Blake Oshiro  
Hawaii Association of Mortgage Brokers

RE: S.B. 1262 SD1, HD1 Relating to the Secure and Fair Enforcement for Mortgage Licensing Act.  
**Position: Support**

Dear Chair Luke, Vice Chair Nishimoto and members,

The Hawaii Association of Mortgage Brokers (HAMB) supports SB1262 SD1, HD1 which is the same as House Bill 1098 passed by this committee. When the mortgage loan recovery fund was established in 2010, HAMB supported the collection and accumulation of fees to build a fund that would help compensate individuals harmed by unscrupulous mortgage loan originators. But, when this fund was established, it was expressly provided that the fund would build up a pool of \$750,000 to pay claims, and thereafter the Division of Financial Institutions (DFI) Commissioner would have the authority to cease or adjust further fees. DCCA's most recent report to the legislature shows the fund at more than \$1,100,000, far above the original target.

Based on discussions with the DFI Commissioner, we understand proposed rules are drafted and going through the required review process before it can go out to public hearing. Thus, we commend the Commissioner for initiating the process. Nonetheless, because the timing and date by which adoption and relief this would occur is uncertain due to the prolonged process that rule making can take under Ch. 91, HRS.

Therefore, as an alternative to the introduced language of the bill that changed the ceiling and amounts in the fund, HAMB supports this measure which allows the Commissioner to adjust renewal fees without having to wait for the rules to be adopted.

Thank you for the opportunity to testify.